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Alberta

CANADIANA

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PETROLEUM MARKETING COMMISSION

403/262-8808

Telex: 03-821978

April 29, 1983.

1900, 250 - 6th Avenue S.W.

Calgary, Alberta, Canada

T2P 3H7

INFORMATION BULLETIN RE ALBERTA COST OF SERVICE

The Alberta Cost of Service Information Bulletin for the month of March, 1983 is attached.

The Information Bulletin consists of:

1. Copies of any special Orders or Determinations issued by the Commission during the month with respect to Alberta Cost of Service, and notice of any Statements of Objection which have been received during the month; and
2. Alberta Cost of Service Determinations for the month.

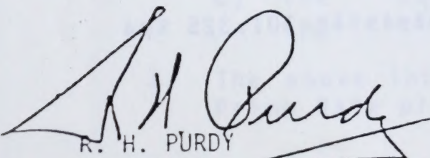
In the case of gas intended to be removed from Alberta, the cost of service determined under Section 11(1), 15(3)(a) and 15(5)(b)(i) of the Natural Gas Pricing Agreement Act for each month is based on estimated figures for that month, adjusted to allow for differences between the estimated and actual figures for the previous month.

In the case of gas intended for consumption within Alberta, the amount estimated as cost of service under Sections 11(2)(a)(ii) and 15(3)(b)(i) of the Act were made under the Commission's general directive for the Alberta cost of service.

All determinations are on gross or higher heating value on a dry basis at 15°C and an absolute pressure of 101.325 kPa (kilopascal).

Yours very truly,

ALBERTA PETROLEUM MARKETING COMMISSION


R. H. PURDY
Vice-Chairman

Attachment

INFORMATION BULLETIN
ALBERTA COST OF SERVICE DETERMINATION
PURSUANT TO THE NATURAL GAS PRICING AGREEMENT ACT
MONTH OF MARCH, 1983

<u>Section 15(3)(a)</u>	Cents Per Gigajoule (GJ) *
Alberta and Southern Gas Co. Ltd.	
- signatory	30.579
- non-signatory	30.944
Canadian Montana Gas Company Limited	
- Produced Gas	N/A
- Purchased Gas	103.750
Consolidated Natural Gas Limited	42.587
Many Islands Pipe Line (Canada) Limited	
- Purchased Gas	16.911
- North Sibbald (Agent)	3.400
- Saddle Lake	30.655
- Esther	15.265
Pan-Alberta Gas Ltd.	
- Basic	33.079
- Delivery Points - Granor	45.155
- Leige	45.297
- Saleski	45.227
- Lovet Creek	34.501
- Bear River	35.024
- Blue Jay	54.803
- Ante Creek South	35.152
Progas Limited	28.023
Sulpetro Limited	33.057
TransCanada PipeLines Limited	
- Category A	54.209
- Category B	54.182
- Category D	26.201
- Category E	35.744
Westcoast Transmission Company	
- Husky Oil Ltd.	26.135
- Petrogas Processing Ltd. et al	25.489
Westcoast Transmission Company (Alberta) Limited	
- North	35.923
- Triassic E	.474
 <u>Section 15(3)(b)</u>	 27.000

Notes

* Calculated on a gross and dry heating value basis at 101.325 kpa (kilopascal) and 15°C.

Notice

The price adjustment for gas is \$0.85/GJ
The Alberta Border Price is \$2.400 65/GJ

DETERMINATION 83-03 (CNG)
ALBERTA COST OF SERVICE
NATURAL GAS PRICING AGREEMENT ACT

APPLICATION

By application dated January 12, 1983 and as amended by letter of January 17, 1983 Consolidated Natural Gas Limited (Consolidated) requests that interest costs on take or pay payments made by TransCanada PipeLines Limited (TransCanada) to Consolidated, and paid by Consolidated to its producers, be recovered through Consolidated's Alberta cost of service commencing December 1, 1982. The application (except exhibits) is shown in the attached Appendix "A".

Interest costs will be at the rate per annum of "Canadian Prime Rate" plus $\frac{7}{8}$ of 1%. Canadian Prime Rate is defined as the rate of interest equal to the arithmetic average (rounded to the nearest one-thousandth of one per cent) of the rates of interest quoted or published by each of Canadian Imperial Bank of Commerce, Citibank Canada, Morgan Bank of Canada and The Royal Bank of Canada (the "Reference Banks") from time to time as being their respective prime rates of interest for Canadian dollar loans made in Canada, provided that if any of the Reference Banks fail to quote or publish a rate of interest as being its prime rate of interest for Canadian dollar loans made in Canada, such average shall be calculated as if such Reference Bank was not one of the Reference Banks.

DECISION

1. There shall be included in Consolidated's Alberta cost of service, interest payable to TransCanada on:
 - a) take or pay payments in respect of contract years 1977/78 to 1981/82 inclusive, such interest accumulated from December 1, 1982; and
 - b) take or pay payments respecting the 1980/81 and 1981/82 "Additional Volumes" referred to in the application; and
 - c) the "Equalization Payment" referred to in the application.
2. The above interest costs shall be calculated at the Canadian Prime Rate plus $\frac{7}{8}$ of one percent per annum.

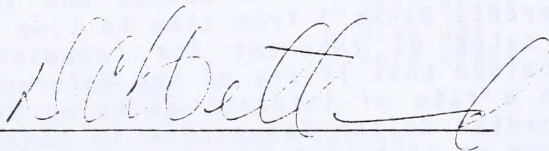
2.

3. Consolidated shall, in December 1983 and in December of each year thereafter, provide such information as may be required by the Commission to assess the prudence of contract management.

REASONS

The Commission considers that these financing costs qualify under the Natural Gas Pricing Agreement Regulation (A.R.119/82) as being "... considered just and reasonable by the Commission in respect of costs incurred by a person, whether or not the person is the original buyer, to finance payments made to or for the benefit of a producer in respect of gas not taken by the original buyer under a gas sales contract for which the producer was nevertheless entitled to be paid."

DATED THIS 5th day of April, 1983, at Calgary, Alberta.



D. C. Hetland
Secretary and Solicitor

PROVINCE OF ALBERTA

ALBERTA PETROLEUM MARKETING COMMISSION

APPLICATION TO INCLUDE TRANSCANADA PIPELINES LIMITED'S

INTEREST COSTS IN CONSOLIDATED NATURAL GAS LIMITED'S

ALBERTA COST OF SERVICE

I Request

Consolidated Natural Gas Limited ("Consolidated") requests that the Alberta Petroleum Marketing Commission (the "Commission") determine that it shall be just and reasonable to include, and that there shall be included in Consolidated's Alberta cost of service:

a) interest payable by TransCanada PipeLines Limited ("TransCanada") on monies borrowed by TransCanada to finance payments made by TransCanada to Consolidated for distribution by Consolidated to Consolidated

defined in the Producer Agreements referred to below, plus 7/8 of 1%, payable by TransCanada on monies borrowed by TransCanada to finance payments to be made by TransCanada to or for the benefit of certain

Alberta gas producers in respect of gas not taken by Consolidated under its gas purchase contracts dedicated to supplying the 1972 Agreement, as defined below, during the period commencing on the Closing of the Producer Agreements, approximately February 15, 1983, Closing and continuing until the end of the Allocation Period, as defined in the Producer Agreements., ("Paragraph B Costs")

II Present Practice

a) The 1972 Agreement

On May 23, 1972, TransCanada and Consolidated entered into an agreement (the "1972 Agreement") whereby TransCanada is obligated to request from Consolidated and pay for, or nevertheless pay for, if available and not requested, certain volumes of gas which Consolidated is obligated to take under the gas purchase contracts (the "Supply Contracts") which Consolidated has undertaken with certain Alberta gas producers.

Although TransCanada holds no direct contractual relationship with these producers, its obligations under the 1972 Agreement are essentially the same as Consolidated's obligations under the Supply Contracts. Gas is delivered under each Supply Contract in response to a specific request by TransCanada to Nova, An Alberta Corporation. Thus, Consolidated's Supply Contracts form part of TransCanada's overall Alberta gas supply.

b) Take or Pay Obligations

In any contract year during the term of the 1972 Agreement in which TransCanada fails to request at full obligation under the 1972 Agreement, TransCanada is required to make take or pay payments to Consolidated in respect of the gas not so requested. Consolidated, in turn, distributes such take or pay monies to those of its producers who were not nominated up to obligation during such contract year.

During the period 1977 through 1980, Consolidated and TransCanada recovered take or pay gas as follows:

<u>Contract Year</u>	<u>GJ*</u>	<u>Amount \$</u>
1977 - 78	20,865	25,050
1978 - 79	288,695	358,949
1979 - 80	<u>2,905</u>	<u>4,609</u>
	<u>312,465</u>	<u>388,608</u>

*Take or pay gas volumes are converted to heating value for payment calculations using a factor of 37.43222

Subsequent to the 1979/80 contract year, because of the increasing market/supply imbalance no further recoveries of take or pay gas were possible. Accordingly, as at December 30, 1982 there remains outstanding the following take or pay values (GJ) and amounts:

<u>Contract Year</u>	<u>GJ*</u>	<u>Amount \$</u>
1977 - 78	925,615	1,110,942
1978 - 79	2,377,350	2,955,879
1979 - 80	2,753,716	4,369,102
1980 - 81	2,437,771	3,500,378
1981 - 82	<u>1,359,153</u>	<u>2,468,385</u>
	<u>9,853,605</u>	<u>14,404,686</u>

* Take or pay gas volumes are converted to heating value for payment calculations using a factor of 37.43222

- c) The December 31, 1980 Consolidated Allocation Agreement (the "1980 Consolidated Allocation Program")

In order that Consolidated's producers and TransCanada's producers could equitably share TransCanada's available markets, TransCanada agreed to equitably allocate its markets available for allocation to its supply available under the 1972 Agreement as well as to its supply available under its own allocable gas purchase contracts. Consolidated, in turn, undertook to equitably allocate TransCanada's requests for gas under the 1972 Agreement amongst the Supply Contracts. In actual fact, TransCanada, by nominating to the Supply Contracts as Consolidated's agent, allocated its markets directly to those contracts. Thus, for the 1980/81 and 1981/82 contract years, Consolidated's Supply Contracts were included in TransCanada's overall allocation program. The terms of operation of the allocation program as between TransCanada and

Consolidated are set forth under Tab "1" attached hereto and as between Consolidated and its producers are set forth under Tab "2". In implementing such a program, Consolidated and TransCanada, during a period of significant imbalance between contracted supply and market demand, sought to create an equitable sharing of gas sales amongst TransCanada's producers and Consolidated's producers, and to avoid a benefit to one producer group at the expense of the other producer group.

d) Financing Cost of Payments by TransCanada to Consolidated

TransCanada currently finance the take or pay payments outstanding with Consolidated, and paid by Consolidated to its producers, at the Canadian Prime Rate plus 7/8 of one per cent per annum. Prior to December 1982, such financing costs have not been recovered through Consolidated's Alberta cost of service. Consolidated submits that as Consolidated's producers receive the benefit of such take or pay payment it is equitable that commencing December 1, 1982, TransCanada's financing costs be recovered through Consolidated's Alberta cost of service.

III Proposed Allocation Program

a) The Topgas Program

In October of 1982, TransCanada and Topgas Holdings Ltd. ("Topgas") implemented a program (the "Topgas Program") under which Topgas paid TransCanada's producers for those volumes of gas up to the original minimum annual obligation, for which TransCanada was not required to pay

as a result of the 1980/81 and 1981/82 allocation program. In addition, Topgas advanced funds to TransCanada's producers equal to the take or pay monies advanced by TransCanada to producers prior to the 1981/82 contract year. The Topgas Program was described to the Commission in detail in TransCanada's application dated June 18, 1982. The 1972 Agreement and the Supply Contracts were not included in the Topgas Program. Consolidated's producers have not received and will not receive advances from Topgas.

b) The 1982 Consolidated Allocation Program

In order that Consolidated's producers may continue on the same footing as TransCanada's producers, Consolidated and TransCanada have developed a financing program (the "1982 Consolidated Allocation Program") which is substantially similar to TransCanada's Topgas program. The 1982 Consolidated Allocation Program may be summarized as follows:

1. Consolidated and TransCanada will enter into an agreement with a producer (the "Producer Agreement") substantially in the form which appears herewith under Tab "3". A producer who executes the Producer Agreement in respect of a gas purchase contract is entitled to receive:
 - i) payment from TransCanada for volumes not taken and not paid for during the 1980/81 contract year up to minimum obligation ("1981 Additional Volumes");

ii) payment from TransCanada for volumes not taken and not paid for during the 1981/82 contract year up to minimum obligation ("1982 Additional Volumes");

iii) payment from TransCanada in the amount of all payments made to the producer by Consolidated in respect of all take or pay gas outstanding as of January 10, 1983.

Upon payment by TransCanada for take or pay outstanding as of January 10, 1983, producers will refund such payments to Consolidated, who, in turn, will refund such sums to TransCanada.

Thus, under the Producer Agreement, TransCanada will assume the financing role which Topgas assumed under the Topgas program.

2. In addition to the payments to be made by TransCanada as set forth in subparagraph 1 above, TransCanada has agreed to make a further payment (the "Equalization Payment") to each participating Consolidated producer equal to:

- (a) interest at the Canadian Prime Rate plus 7/8 of one percent on the payments to be made by TransCanada to such producer in respect of the 1981 Additional Volumes from and including October 5, 1982 to and including the Closing under the 1982 Consolidated Allocation Program; and

- b) interest at the Canadian Prime Rate plus 7/8 of one percent on the payments to be made by TransCanada to such producer in respect of the 1982 Additional Volumes from and including January 10, 1983 to and including the Closing under the 1982 Consolidated Allocation Program.

Under the Producer Agreement, a Consolidated producer agrees to participate in the allocation of TransCanada's Alberta gas supply from the same date, November 1, 1982, as TransCanada's own producers, but Consolidated's producers will not receive payment from TransCanada until several months after the date of the payments made by Topgas under the Topgas Program. Consolidated and TransCanada have proposed the Equalization Payment to Consolidated producers as a means of overcoming this inequity.

- 3. Consolidated and TransCanada intend that the Equalization Payment be calculated and advanced by appropriately increasing the payment otherwise to be made under paragraph 2 of the Producer Agreement. Consolidated and TransCanada intend that those advances be calculated and recovered as if the price of gas for the 1980/81 and 1981/82 Contract Years, as presently stated in paragraphs 2 and 12(b) of the Producer Agreement, were increased so as to increase the payments to be made by the amount of the Equalization Payment required for each producer. TransCanada will, therefore, recover the Equalization Payment through gas production in the same manner as it will recover the payments otherwise to be made in respect of Prepaid Gas.

4. If all of Consolidated's producers participate in the 1982 Consolidated Allocation Program, Consolidated and TransCanada estimate payments to producers, as follows:

a) in respect of 1981 Additional Volumes	\$21,044,150.
b) in respect of 1982 Additional Volumes	26,006,259.
c) in respect of take or pay outstanding as of January 10, 1983	14,404,686.
d) in respect of the Equalization Payment	<u>1,334,113.</u>
TOTAL PAYMENTS	<u>\$62,789,208.</u>

TransCanada has secured financing of the payments to be made to producers at the Canadian Prime Rate plus 7/8 of one percent per annum.

5. Commencing with the 1984/85 contract year, gas paid for by TransCanada ("Prepaid Gas") will be recovered as a portion of the producer's annual deliveries, which portion will be an amount of gas having a heat content equal to at least 10% of the Prepaid Gas outstanding as of the day after the Closing under the 1982 Consolidated Allocation Program. At the time of such recovery, the producer will repay the monies advanced in respect of such gas and, where applicable, in respect of the Equalization payment.

If TransCanada's markets increase, the rate of recovery of the Prepaid Gas will also increase. The recovery procedure under the Producer Agreements is designed to precisely complement the recovery procedure under the Topgas Program. All recovery of Prepaid Gas will be on a first-incurred first-recovered basis.

- 6.. Consolidated and TransCanada have the right under the Producer Agreements to require redeterminations of reserves in place and to accelerate recovery where Prepaid Gas would not be recovered at prevailing rates.
7. Commencing on November 1, 1982 and until the recovery of all Prepaid Gas (the "Allocation Period"), TransCanada's annual market available for allocation will be allocated to the gas supply available under TransCanada's allocable contracts and the Consolidated Supply Contracts.
8. During the Allocation Period, Consolidated's obligation to its producers to take or pay for gas and TransCanada's obligation to request or pay for gas under the 1972 Agreement is reduced to 60% of its annual obligation under the gas purchase contracts or 75% of the then current years obligation, whichever is the lesser.
9. TransCanada will undertake to Consolidated not to contract for new gas supply until present contracted supply is insufficient to meet projected markets.
10. Consolidated and its producers acknowledge in the Producer Agreements that it is appropriate for Consolidated to include in its Alberta cost of service the interest costs of TransCanada. The Producer Agreement is conditional upon there having been obtained a satisfactory assurance to so recover such interest costs.
11. A producer shall be entitled at anytime during the Allocation Period to

return all prepayments which it holds in respect of any Supply Contract.

Consolidated is currently presenting the 1982 Consolidated Allocation Program to its producers in the form of the Producer Agreements. Consolidated and TransCanada anticipate that, subject to receiving adequate assurance that TransCanada's interest costs may be recovered through Consolidated's Alberta cost of service, payments as enumerated above will be made at the time of Closing of the Producer Agreements.

V Anticipated Effect on Consolidated's Alberta Cost of Service

Consolidated's Alberta cost of service will increase by reason of the inclusion of costs not previously a component of such cost of service. Consolidated will forthwith be applying to the Commission to establish a multi tiered cost of service which will complement TransCanada's tiers, and equitably distribute the increased costs to Consolidated's producers.

VI Anticipated Effect on the Applicant

No effect is anticipated on Consolidated because of the flow through nature of the payments.

VII Anticipated Effect on Third Parties

The carrying charges recovered by Consolidated through Consolidated's Alberta cost of service will be forwarded to TransCanada as reimbursement for the actual financing costs incurred by TransCanada for the implementation of this program.

VIII Conclusion

Paragraph A costs have not previously been included in Consolidated's Alberta cost of service. Accordingly, Consolidated's producers have enjoyed the benefit of take or pay payments from Consolidated, but have not borne the attendant costs. Consolidated submits that it is equitable that commencing December 1, 1982 Paragraph A costs be included in Consolidated's Alberta cost of service.

In preparing the 1982 Consolidated Allocation Agreement, Consolidated and TransCanada seek to include Consolidated's producers within the allocation of TransCanada's markets to TransCanada's gas supply, and thereby, to assure that TransCanada's producers and Consolidated's producers share equitably in the markets available. A Consolidated producer who participates in the 1982 Consolidated Allocation Program will receive the benefit of the payments made under that Program. Consolidated submits that it is equitable that Paragraph B costs be included in a Consolidated Alberta cost of service applicable to volumes of gas delivered to Consolidated by such producers.

In the event that all Consolidated producers participate in the 1982 Consolidated Allocation Program, TransCanada will cease to have Paragraph A Costs. In the event that some of Consolidated's producers decline to participate in the proposed 1982 Consolidated Allocation Program, TransCanada will continue to have Paragraph A Costs in respect to those non-participating producers.

Consolidated respectfully requests the Commission to determine that:


a) during the period commencing December 1, 1982 and continuing until the termination of the 1972 Agreement, there shall be included in Consolidated's Alberta cost of service interest, at the Canadian Prime Rate, as defined in the Producer Agreements, plus 7/8 of one percent per annum, payable by TransCanada as monies borrowed by TransCanada to finance payments made by TransCanada to Consolidated for distribution by Consolidated to Consolidated producers in respect of gas not requested from Consolidated under the 1972 Agreement.

b) during the period commencing approximately at the Closing of the Producer Agreements and

continuing until the end of the Allocation Period, there shall be included in a Consolidated Alberta cost of service, interest at a rate per annum equal to the Canadian Prime Rate plus 7/8 of 1% per annum payable by TransCanada on monies borrowed by TransCanada to finance payments to be made by TransCanada to or for the benefit of certain Alberta gas producers in respect of gas not taken by Consolidated under its gas purchase contracts dedicated to supplying the 1972 Agreement.

DATED at the City of Calgary, in the Province of Alberta, this 12th day of January, 1983.

All of which is respectfully submitted,
CONSOLIDATED NATURAL GAS LIMITED.



C.A.J. Harvey
Chief Accountant

CONSOLIDATED NATURAL GAS LIMITED

Suite 1600, 333 - 11th Avenue S.W., Calgary, Alberta T2R 1L9

Telephone (403) 263-8040, Telex 038-25524

January 17, 1983

Alberta Petroleum Marketing Commission
1900 Bow Valley Square IV
250 6th Avenue S.W.
Calgary, Alberta

Attention: Mr. Vern Thomas
General Manager Natural Gas

Dear Sirs:

Re: Application by Consolidated Natural Gas
Limited("Consolidated) dated January 12, 1983 to include
Take or Pay Interest Costs in its Alberta Cost of Service

In its above referenced Application Consolidated described, at pages 9 and 10, an Equalization payment to be made by TransCanada to each participating Consolidated producer. Sub clause 4 (b) described a payment calculated as of January 10, 1983. In order to put Consolidated's producers in the same position as TransCanada's producers who were paid on December 30, 1982, Consolidated has amended its proposal to its producers to provide for interest to be payable as of December 30, 1982. This proposal is set forth in the attached schedule 1 to this letter.

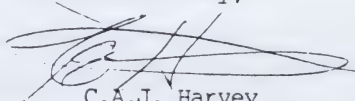
In view of this amendment, Consolidated hereby amends its above referenced Application as follows:

On page 10 sub clause (b) the date "January 10, 1983" is deleted and the date "December 30, 1982" is substituted therefor.

On page 11 sub clause 4 (d) the sum "\$1,334,113" is deleted and \$1,425,850 is substituted therefor.

Should you have any questions with respect to these matters please do not hesitate to contact the undersigned.

Yours truly,



C.A.J. Harvey
Chief Accountant

SFM/CAJH/lis

CONSOLIDATED NATURAL GAS LIMITED

Suite 1600, 333 - 11th Avenue S.W., Calgary, Alberta T2R 1L9

Telephone (403) 263-8040, Telex 038-25524

January 12, 1983

Calgary, Alberta
T2P 0Y2

Attention: Mr. _____

Gentlemen:

1982 CONSOLIDATED ALLOCATION PROGRAM

Re: Gas Purchase Contracts between Consolidated Natural Gas Limited ("Consolidated"), and _____ Petroleum Company Ltd. ("Seller") made as of _____ - Strachan-Ricinus Area and _____ - Kaybob South Area

By letter dated December 21, 1982 ("Producer Proposal"), Consolidated proposed a take or pay refinancing program (the "1982 Consolidated Allocation Program"), substantially similar to the Topgas program, whereby TransCanada would make certain payments to Consolidated producers and would continue to equitably allocate its markets to the Consolidated gas supply.

Exhibit "B"

We enclose herewith six (6) copies of Exhibit "B" to the Producer Proposal which sets forth the payments that TransCanada expects to make in respect of Seller's above referenced contract(s) pursuant to paragraph 2 of the Producer Proposal. If the information contained in the attached Exhibit "B" agrees with your records, please attach one copy of Exhibit "B" to each copy of the Producer Proposal which you have received. If any question arises concerning the Exhibit "B" information, please contact Mr. R. N. Hobley immediately.

Equalization Payment

After discussion with certain producers, Consolidated and TransCanada have agreed that TransCanada will make a payment (the "Equalization Payment") to each of Consolidated's producers which is in addition to the payments to be made under paragraph 2 of the Producer Proposal. Under the Producer Proposal, Consolidated's producers will participate in allocation from the same time as TransCanada's producers, November 1, 1982, but will receive payments several months later than did TransCanada's producers under the Topgas program. In order that Consolidated's producers may be treated equitably with TransCanada's producers, on the closing of the 1982 Consolidated Allocation Program ("Closing"), TransCanada will make an Equalization Payment which shall be equal to:

- (i) interest, calculated daily, on the amount of the payment to be made to Seller pursuant to paragraph 2(a) of the Producer Proposal from and including October 5, 1982 to and including Closing; plus
- (ii) interest, calculated daily, on the amount of the payment to be made to Seller pursuant to paragraph 2(b) of the Producer Proposal from and including December 30, 1982 to and including Closing;

such interest to be calculated in each case at the Canadian Prime Rate, as defined in the Producer Proposal, plus 7/8 of one percent per annum, PROVIDED THAT with respect to Closing and with respect to the six consecutive days immediately prior thereto, Canadian Prime Rate shall be as so determined on the sixth day prior to Closing.

The Equalization Payment shall be recovered by TransCanada as if the Equalization Payment were made in respect of Prepaid Gas, as defined in the Producer Proposal, and that, accordingly:

- (a) the payment to be made to Seller by TransCanada under sub-paragraph

2(a) of the Producer Proposal shall be calculated by increasing the price per gigajoule set out in sub-paragraph 2 (a) by an amount which would increase the payment made thereunder by the amount of interest calculated according to (i) above (the "1980/81 Deemed Price"); and

- (b) the payment to be made to Seller by TransCanada under sub-paragraph 2(b) of the Producer Proposal shall be calculated by increasing the price per gigajoule set out in sub-paragraph 2 (b) by an amount which would increase the payment made thereunder by the amount of interest calculated according to (ii) above ("the 1981/82 Deemed Price");

In order that TransCanada may recover the payments described in (i) and (ii) above, sub-paragraph 12(b) of the Producer Proposal is hereby amended by increasing the "Amount Per GJ Recovered" for the 1980/81 Contract Year to the 1980/81 Deemed Price and for the 1981/82 Contract Year to the 1981/82 Deemed Price.

Amendment of Paragraph 2 of the Producer Proposal

As Consolidated has, as of January 10, 1983, made take or pay payments to its producers for the 1981/82 contract year up to the 80% obligation level, paragraph 2 of the Producer Proposal must be amended by deleting 2 (b) and 2 (c) and substituting the following therefor:

- 2 (b) the amount set out in Exhibit "B" attached hereto as the monies payable for Seller's Additional Volumes for the 1981/82 contract year based on a price of \$1.81612 per gigajoule ("GJ"), being the Alberta Border Price in effect on October 31, 1982 less the applicable Consolidated Alberta Cost of Service for the month of October, 1981 assuming a heating value of .037 432 22 GJ per m³;

- 2 (c) an amount equal to the outstanding payments, heretofore made by Consolidated to Seller in respect of Seller's Prepaid Gas outstanding as of January 11, 1983, which amount is set forth in Exhibit "B".

The foregoing provisions in respect of the Equalization Payment and the Amendment to Paragraph 2 of the Producer Proposal are an amendment to the offer to Seller as set forth in the Producer Proposal. In order to participate in the 1982 Consolidated Allocation Program, you must return to Consolidated six (6) fully executed copies of the Producer Agreement, with Exhibit "B" attached, together with six (6) copies of this Amending Letter Agreement duly executed hereunder.

Please execute this Amending Letter Agreement by signing and sealing in the space provided below to indicate your agreement to and acceptance of the foregoing terms. This Amending Letter Agreement will become effective when it is executed by TransCanada and delivered to the parties hereto.

Yours very truly,

CONSOLIDATED NATURAL GAS LIMITED

AGREED TO AND ACCEPTED: this _____ day of _____, 1983

Seller

APPROVED AND AGREED TO: this _____ day of _____, 1983

TransCanada PipeLines Limited

